

March 28, 2006

Dear FDIC Directors,

I write on behalf of the American Independent Business Alliance (AMIBA), a non-profit organization which I co-founded in 2001. AMIBA provides tools and advice to help communities form local Independent Business Alliances, which support independent, locally-owned businesses and prevent their displacement by corporate chains.

Informing citizens of the personal, social, and economic benefits of doing business locally is central to the mission of these Alliances, which have made major impacts in the communities where they operate. In our three years of program operation we have helped 19 communities launch formally-affiliated IBAs, with many more in development. These Alliances collectively represent approximately 3400 independent businesses, 3700 citizen members, and 120 civic organizations.

Well-run independent businesses still can compete successfully against Wal-Mart in a genuine market economy, but unfortunately we no longer have such a free market. AMIBA's testimony at this hearing was provoked by years of observing Wal-Mart Corporation's economic clout translating into political dominance in towns throughout the country, undermining both market competition and representative democracy.

Wal-Mart and other giant companies often use their uncontrolled size and power to distort free markets through extracting public subsidies, anti-competitive practices, and by violating with near-impunity a wide range of laws that theoretically protect communities, workers and healthy living conditions. Wal-Mart alone has obtained subsidies for hundreds of its facilities, including 90% of its distribution centers.

In too many cases, America's independent businesses, which rarely look to taxpayers to pay their bills, are being out-lobbied, not out-competed by Wal-Mart. This brand of corporate/state capitalism bears little resemblance to theoretical free markets.

If Wal-Mart's economic and political power is allowed to expand into finance, no one should doubt the company will use that power to eliminate ever-more independent businesses, leaving many smaller communities frighteningly dependent on a single corporation. Many others testifying against Wal-Mart's bank application will describe more thoroughly than I could the mechanisms by which this would occur.

Wal-Mart spokespeople and many media reports about this application have presented the broad opposition to Wal-Mart Corporation entering the banking industry as coming from narrow interest groups. Yet it's clear from the lineup of organizations testifying against Wal-Mart's application this is not accurate. Even many staunch supporters of unfettered free markets are concerned that existing laws are not up to the challenge Wal-Mart's market power presents.

Size matters, and Wal-Mart's puts it in a completely different class than any other company engaged in industrial banking. Wal-Mart's backers claim it's unfair that the Target Corporation should be permitted to own its own bank, while Wal-Mart is not. AMIBA has concerns about any retail company branching into financial services, but, just as many communities rightfully control big box stores to a greater degree than small businesses, Wal-Mart's power demands a higher level of scrutiny than any other corporation.

Wal-Mart's application rightly has garnered an unprecedented level of attention and opposition because of its size, but concerns about the merging of banking and commercial firms are serious enough to warrant closing the loophole altogether

Those who say Wal-Mart will limit itself to a narrow range of financial activities misunderstand the nature of a publicly-traded corporations, which by design are driven to grow perpetually. For a publicly-held company, there is no such thing as "big enough."

Just as Wal-Mart constantly expands into new spheres of retail and services, so too, it will seek to expand its reach in financial services. Given the current ease with which giant corporations convert their monetary power into political power, there is no reason to doubt it will succeed.

Since publicly-held corporations seek to maximize shareholder profit above any other consideration, the Wal-Mart Corporation's using its bank to serve that end is natural, rather than serving the interests of communities in which it operates. While many other banks are publicly-held companies, again, Wal-Mart's size creates the potential for systemic harm that no other company is capable of inflicting.

If anyone deems the concerns I express here overstated, they would do well to review the many writings of our Constitution's authors about the threats to our republic posed by allowing uncontrolled growth of corporations. Thomas Jefferson warned against an "aristocracy of our moneyed corporations." James Madison warned, "The power of all corporations ought to be limited...The growing wealth acquired by them never fails to be a source of abuses."

These men did not oppose the existence of corporations, but recognized that, unless they are limited in both size and scope, they will grow to overwhelm democracy.

Size matters, and Wal-Mart's necessitates clear and impermeable limits -- limiting its business activities to commerce is one of these.

Sincerely,

Jeff Milchen,

Co-founder, American Independent Business Alliance  
Bozeman, MT